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Chiang Finds Budget Did Not Balance On Paper

SACRAMENTO – State Controller John Chiang today announced that his analysis of the State budget vetoed last week shows the spending plan was incomplete and unbalanced. His analysis sought to determine whether the budget met the requirements of Proposition 25 and Proposition 58, which forfeit Legislative pay if a balanced budget is not passed by June 15.

“My office’s careful review of the recently-passed budget found components that were miscalculated, miscounted or unfinished,” said Chiang. “The numbers simply did not add up, and the Legislature will forfeit their pay until a balanced budget is sent to the Governor.”

Proposition 25, titled the “On-Time Budget Act of 2010,” was approved by voters November 2, 2010. The initiative lowered the vote requirement for passing a budget from two-thirds to a simple majority without lowering the two-thirds vote required for tax increases. It also forfeits Legislators’ pay and living expenses incurred from June 16 until “the day that the budget bill is presented to the Governor.”

Nothing in the Constitution or state law gives the State Controller the authority to judge the honesty, legitimacy or viability of a budget. The Controller can only determine whether the expected revenues will equal or exceed planned expenditures in the budget, as required by Article 4, Section 12(g) of the Constitution: “. . .the Legislature may not send to the Governor for consideration, nor may the Governor sign into law, a budget bill that would appropriate from the General Fund, for that fiscal year, a total amount that. . .exceeds General Fund revenues for that fiscal year estimated as of the date of the budget bill's passage. That estimate of General Fund revenues shall be set forth in the budget bill passed by the Legislature.”

“While the vetoed budget contains solutions of questionable achievability and some to which I am personally opposed, current law provides no authority for my office to second-guess them in my enforcement of Proposition 25,” said Chiang. “My job is not to substitute my policy judgment for that of the Legislature and the Governor, rather it is to be the honest-broker of the numbers.”

Using this standard, the Controller’s analysis found that the recently-vetoed budget committed the State to \$89.75 billion in spending, but only provided \$87.9 billion in revenues, leaving an imbalance of \$1.85 billion.

The largest problem involved the guaranteed level of education funding under Proposition 98. The June 15 budget underfunded education by more than \$1.3 billion. Underfunding is not possible without suspending Proposition 98, which would require a supermajority (2/3) vote of the Legislature.

The budget also counted on \$320 million in hospital fees, \$103 million in taxes on managed-care plans, and \$300 million in vehicle registration charges. However, the Legislature never passed the bills necessary to collect or spend those funds as part of the State budget.

A [summary](#) of the Controller's analysis of the authorized expenditures versus the estimated revenues can be found on the Controller's website at www.sco.ca.gov.

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